Innovative finance for scaling effective SDG 6 solutions

26 August | 15:00 - 15:45 CEST

Participate in our welcome poll while we wait for everyone to join!
Session Goals

- Learn about emerging financial innovations in water and sanitation
- Understand how these stimulate investments at different levels of scale & for different types of actors
- Showcase how philanthropic capital can catalyse (private) investments
Session Plan

15:00 - 15:10  Introduction & scene setting - Aqua for All

15:10 - 15:30  Short presentations on financial innovations

• Transition to Scale by Grand Challenges Canada
• Social Impact Incentives Model by Roots of Impact
• Patient Capital for Small & Growing Businesses by Take a Stake Fund
• Water Access Acceleration Facility by Incofin Investment Management and Danone Communities
• Sanitation Impact Bond by WASTE/FINISH Mondial
• Global Credit Enhancement Facility by Water.org

15:30 – 15:45  Audience Q&A and Closing
Introduction
Ms Josien Sluijs, Managing Director Aqua for All
The service gap

Achieving SDG 6 requires making sustainable, affordable water and sanitation services available for all.

The financial gap to achieve SDG 6

- **Insufficient public funds**: Water and sanitation have been historically financed by the public sector, but **public funds are not enough**.

- **Need for private investments**: Achieving SDG 6 requires an estimated $114 billion per year, while **less than $5 billion of (donor) funds are available**.

- **Missing link between solutions and funding**: Innovative solutions for **de-risking and unlocking private capital** are needed.

$2.14 billion of commercial finance was mobilised for water & sanitation through **blended finance** (2012-2017)

- This is only 1.36% of the total amount mobilised ($157.2 billion)
WHO WE ARE

Not-for-profit organisation

Long-term expertise supporting entrepreneurship
  o Innovation (proof-of-concept)
  o Scale up (investment ready)
  o Mobilising Public/Private capital

A partner for bridging the service and finance gaps in the water and sanitation economy
Making Water Count: Our €40 million programme

- Innovation: Incubation & piloting
- Scale: Pipeline development
- Partnerships with funds: Mobilising public & private capital

Enabling the "missing middle"

Potential with Aqua for All’s support & funds

Scaling pathway

Aqua for All
Making Water Count: Our €40 million programme

Innovation
- Incubation & piloting
- Grand Challenges Canada

Scale
- Pipeline development
- Social Impact Incentives
- FINISH Mondial
- Carbon Credit Financing

Partnerships with funds
- Mobilising public & private capital
- Water Access Acceleration Facility
- GCEF
- Take-a-Stake Fund

Potential with Aqua for All’s support & funds

Scaling pathway
- New idea
- Proof of concept
- Ready for Investment
- Sustainable scale
Unlocking private/public capital: Our de-risking instruments

Purpose:
- SME financing
- Access to finance for low-income households

Technical assistance

De-risking investments
- Co-investments
- First/second loss capital
- Guarantees

Alternative financing models
- Impact incentives
- Carbon credits schemes
**Our key results (2002-2019)**

- More than **5.64 million low-income people** got access to safe water, sanitation and/or IWRM*
- **€140 million** in funds managed
- Operations in **65 countries**, mainly in Africa and Asia
- More than **200 organisations** supported
- Our funds were primarily spent in **Africa (65%)** and **Asia (34%)**

*Integrated water resources management - IWRM*
Interested in partnering with us?
Contact: info@aquaforall.org

www.aquaforall.org
twitter: @AquaforAll
Transition to Scale
Brittney Dudar, Investment Associate Grand Challenges Canada
What is Grand Challenges Canada?

Grand Challenges Canada is an innovation platform that seeds and transitions to scale scientific, social and business innovation to drive sustainable impact.

It is designed to:

- Leverage resources and expertise from public, private and philanthropic partners
- Deploy both grant and non-grant financing
- Apply the best of public and private approaches to evaluate impact, manage risk and knowledge, and to ensure affordable access

We are a funder and enabler of innovation for impact.
We are funded by the Government of Canada, other governments and partners.
We support gender equality in all aspects of our organization and programming.
Impact Investment

Unlike traditional grant-makers, Grand Challenges Canada operates at the intersection of development/humanitarian, scientific, and business sectors.

Investment decisions balance priorities at the intersection of these fields:

- Is the innovation **bold**?
- Will it have **big impact**?
- Is there a viable path to **scale & sustainability**?
- Does Grand Challenges Canada provide a unique **value add**?
The Sanitation sub-portfolio of Transition-to-Scale investments employs grant and loan financing to support innovative sanitation solutions for unsewered communities. In particular, innovations in this sub-portfolio focus on urban and rural contexts, container-based sanitation*, waste-to-resource solutions and sector-specific dimensions of scale and sustainability.

Impact:

- **20 innovations** supported with **$17.77M CAD** in GCC funding and partnership funding
- **Up to 12 million** lives improved by 2030

*Container-based sanitation (CBS)= stand-alone toilets with sealable, removable containers installed in homes or residential compounds, with safe waste management
Get in touch

Brittney Dudar
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Social Impact Incentives Model
Patrizia Baffioni, Lead Impact-Linked Finance Programs Roots of Impact
What if ...

... social returns really mattered?
What if ...

... entrepreneurs would get paid for all the value they create?
Business case with SIINNC

Total Revenues

Premium payments based on social outcomes improve profitability to attract investors

www.roots-of-impact.org
SIINC for WASH

Social Impact Incentives for Water, Sanitation and Hygiene Program

Rewards for impact
Call for application closes on September 27th

Apply today!

www.roots-of-impact.org
Reach out to us

Patrizia Baffioni
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www.roots-of-impact.org
LinkedIn: Roots of Impact
Patient capital for Small & Growing Businesses
Jacqueline Barentse, Advisor Take-a-Stake Fund
Take-a-Stake (TAS) in a Nutshell:
Aiming for Profit + Development Impact (People, Planet, Prosperity)

WHAT WE DO
DEBT & later also EQUITY in Small & Growing Businesses (SGBs)

WHERE WE OPERATE (START)
KENYA UGANDA INDIA

WHO WE INVEST IN
✓ Targeting specific SME segment: Small & Growing Businesses (SGBs)
in WASH, waste (re-use/circular economy) and linked sectors
✓ Proven business models, ≥3 years (not start-up’s)
✓ Despite track record SGBs lack access to funding: Too large for MFIs and too small for mainstream FIs (e.g. banks): The Missing Middle

WHAT WE PROVIDE
DEBT: €150K - €1M + leverage co-investors

+ OTHER SUPPORT: Capacity building, access to best practices & growth advisory

HOW WE WORK
STRONG BUILDING BLOCKS: EMBEDDED IN ‘ECOSYSTEM’

Working with local teams and building on long standing local & international partnerships
Target Segment Small & Growing Businesses (SGBs)
Looking for investments EUR 100k – 5M

Complementary / partnering with:

- Aqua for All
- BORDA
- cewas
- WASTE
- Take a Stake Fund
The Bigger Picture:
Take-a-Stake is complementary and part of larger partnerships

MICROFINANCE (BLENDED FINANCE)

TECHNICAL & BUSINESS DEVELOPMENT SUPPORT ACROSS SUPPLY & VALUE CHAIN

INTERNATIONAL & LOCAL INVESTMENTS
Small & Growing Businesses strengthening enterprises across

PARTNERS
FINISH Mondial track record €10.5M grant (DGIS) 2009-18 & €0.5M grant (SIDA)
Mobilized commercial & non-commercial local finance €110M, Leverage 1:10
Next level grant proposed €50M
Thank you very much!

CONTACT
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Jacqueline Barendse
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Water Access Acceleration Facility
Michaël Blockx, Director Fund Development Incofin Investment Management;
Corinne Bazina, General Manager Danone Communities
Danone and Incofin have partnered up to provide capital to financially sustainable water companies with an objective to improve access to safe and affordable water.

- Many water companies are already financially sustainable, thanks to new technologies, new revenue streams like carbon credit sales, Public Private Partnerships, ...
- and many safe water solutions are proving their importance during the COVID-19 crisis.

Financially sustainable companies need capital to grow and improve access to safe and affordable water.

Launch of a new initiative to scale access to safe and affordable drinking water and demonstrate financial sustainability of water businesses.

Corporate capital sponsors this partnership:
- Between a multinational corporation and international impact investor:
  - Danone sponsors this initiative driven by its genuine focus on social and environmental impact.

Impact first with ambition to deliver return:
- Open to all types of investors, including corporations and commercial banks, ready for the idea of impact first investment.
The initiative will invest in social enterprises that improve access to safe and affordable water to people with income below USD 8/day in Africa, Asia and LATAM

**Water Access Acceleration Initiative**

**WHAT**
- Focused on accelerating access to safe and affordable drinking water
- Focused on 3 sectors:
  - Safe Water Enterprises (SWE)
  - Water Technology Companies
  - Decentralized Piping Infrastructure

**HOW**
- Minority equity stakes with board position

**SIZE**
- EUR 3-5m ticket size
- 10 – 12 portfolio companies

**HOW LONG**
- 5 – 7 years: patient capital

**WHERE**
- Focus on Africa
- Also Asia and LATAM
Contact details

Michaël Blockx - Director Fund Development Incofin Investment Management
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Website: http://www.incofin.com/
Sanitation Impact Bond
Valentin Post, CEO FINISH Mondial
Sanitation Impact Bond

FINISH Mondial
- Demand generation by FINISH Society
- Supply-side training on systems for reuse
- Government engagement
- MFIs extending sanitation loans

CONTEXT
- Government sanitation drive has changed course
- Shortage of funds
- Many people with non-functional sanitation systems

PROBLEMS
- Health effects not kicking in as expected
- Over-dependence on chemical fertilizer
- Declining soil fertility
- Irresponsible solid & liquid waste management

Refinancing microfinance for sanitation is an issue: Why a pilot first?
- ‘Proof of concept’ project is needed to develop the bond itself (with all contractual & legal issues)
- Proof of concept to test willingness of investors to buy bonds for a return of 3 or 4% (as noted)

SCALE OF WORK: US$ 3 MILLION
- MFI: CASHPOR Micro Credit
- FINISH Society: demand generation & supply side
- WASTE: impact measurement
Sanitation Impact Bond

**THE SET UP**

- Contracting has been worked out between 4 partners
- Impact measurement on loan conversion & usage
- 25,000 sanitation systems constructed out of targeted 35,000

**CONCLUSIONS & LESSONS LEARNED**

- Launching a bond commercially implies a min. size of € 100 million
Global Credit Enhancement Facility

Sudhir Arya, Senior Manager Water.org
From micro to macro – solving for water and sanitation access at scale

Problem to address: Financial Institutions perceive water and sanitation lending to be high risk

**MICRO-LEVEL** – Provide R&D grant support to MFIs

**MACRO-LEVEL** – Provide loan guarantee to commercial banks
The Global Credit Enhancement Facility (GCEF) will de-risk water and sanitation lending for Banks/Financial Institutions

**Product**
Global Credit Enhancement Facility (GCEF)

**Description**
Partnered with International Finance Corporation to create a global water and sanitation loan loss guarantee facility

**Purpose**
Provide an appropriately-priced blended finance credit enhancement that acts a first-loss facility to lower banks’ perceived risk while gaining familiarity of sector

**Results**
First deployment in 2020* in India expected to increase bank lending to the sector.

*potentially delayed due to COVID-19

*Example is for illustrative purposes and will vary drastically by country.
An integrated approach

- Leveraging development finance to attract private finance to an area they would otherwise find too risky

- IFC investing across multiple banks that would individually be too small; Creating new markets

- Philanthropic and other donors investing their money rather than giving grants

- Water.org providing the expertise in water and sanitation lending
Thank you!

Sudhir Arya
Senior Manager, Water.org-India
sarya@water.org
Audience Question & Answer

Josien Sluijs
Aqua for All

Jacqueline Barendse
Take-a-Stake Fund

Brittney Dudar
Grand Challenges Canada

Corinne Bazina
Danone Communities

Valentin Post
WASTE/FINISH Mondial

Sudhir Arya
Water.org

Patrizia Baffioni
Roots of Impact

Michaël Blockx
Incofin Investment Management

Dina Pons
Incofin Investment Management
Key Takeaways

- Catalytic role for grants/philanthropic capital to leverage & de-risk investments
- Need for more high risk and patient capital
- WASH lending for households not more risky than other types of loans
- Need to structure financial solutions based on sector needs
- Strength in combining expertise and knowledge
Thank you!

Want to get in touch? Please see the following slide for contact details of our partners.
# Contact us

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